

# CALIFORNIA EMPLOYER

Fourth Quarter 2006

## Employees and taxes

### Furnish all of your employees with W-2 forms by January 31

As an employer, you are required to file a federal *Wage and Tax Statement* (Form W-2) for each of your employees. Forms W-2 provide information to employees, the Social Security Administration, the Internal Revenue Service and state and local governments. Use Boxes 14 through 20 of the Form W-2 to report the following state and local income tax information:

- **Box 15** (Employer state ID number) Enter CA and EDD employer account number.
- **Box 16** (State wages, tips, etc.) Enter California PIT wages.
- **Box 17** (State income tax) Enter California PIT withheld
- **Box 19 and Box 20** (Local income tax. If Box 19 has local taxes, use "Box 14-Other.") Enter the abbreviation "CASDI" in Box 20 and the amount of SDI withheld in Box 19. (Note: if the wages were not subject to SDI, show "CASDI 0" (zero). If your employees are covered under an authorized Voluntary DI plan, enter "VPDI" and the VPDI amount actually withheld.)

For additional information on Form W-2 reporting requirements or instructions on completing Form W-2, refer to IRS publications *Employer's Tax Guide* (Publication 15, Circular E) and *2006 Instructions for Forms W-2 and W-3*. To obtain these publications, go to [www.irs.gov](http://www.irs.gov) or call IRS at 1-800-829-3676.

For more information on completing the "State" information on Form W-2, please refer to your *California Employer's Guide* (DE 44) or contact us at 1-888-745-3886. If the employee performs services in more than one state, contact the other state(s) for guidance on how to complete the Form W-2 for that state.

### Should your employee file a DE 4 or W-4?

An Internal Revenue Service *Employee's Withholding Allowance Certificate* (Form W-4) is normally used for California PIT withholding. However, if an employee wants to claim a different marital status and/or a different number of allowances than claimed for federal withholding, the employee should file an *Employee's Withholding Allowance Certificate* (DE 4). If an employee provides you with a DE 4, you must use it to determine his/her California PIT withholding.

If an employee wants to claim exempt from federal and California PIT withholding, the employee should claim the exemption on Form W-4. Since the exempt status expires on February 15 each year, each employee must complete a new Form W-4 by February 15 to remain exempt. If an employee does not sign a new Form W-4, you are required to change the employee's California withholding status to "single" with zero (0) withholding allowances and begin withholding California PIT.

To obtain more information or to request *Employer's Obligations for Form W-4 or DE 4* (DE 71), visit our Web site at [www.edd.ca.gov/taxrep/taxform.htm#Publications](http://www.edd.ca.gov/taxrep/taxform.htm#Publications), access our Fax on Demand at 1-877-547-4503, or call 1-888-745-3886.



## Got UI questions? Find answers quickly at our Web site

Do you have a question about Unemployment Insurance (UI)? You can get an answer quickly and easily from a newly enhanced feature on the Employment Development Department's (EDD) Web site. The *Frequently Asked Questions* feature has been redesigned to improve our service to customers who have the most commonly asked UI questions.

Access this feature at [www.edd.ca.gov](http://www.edd.ca.gov), then go to the "How To" section on the left side of the page and click on Unemployment Insurance. Then click on the *Frequently Asked Questions* link. You may also submit questions to EDD via

the Internet. Just click on the "Contact Us" link at the bottom of the page.

The fastest way to file for UI benefits is at our increasingly popular online service, *eApply4UI*. It is easy to use and available in English and Spanish. Just go to the EDD Web site, click on the Unemployment Insurance link, then on "About Filing a Claim." Then click on *eApply4UI* and follow the instructions to file your claim. This application is available 24 hours a day.

In addition, automated telephone interactive voice response systems are available for clients to check on the status of

their UI checks and obtain other information without staff intervention.

The UI program provides short-term wage replacement to workers who are unemployed through no fault of their own and who meet specific eligibility criteria. UI is a federal-state program, based on federal law, but executed through state law. Benefits are paid directly to the individual and financed by employer tax contributions. Employers pay taxes on the first \$7,000 in earnings for each employee.

For more information, please visit the EDD Web site at [www.edd.ca.gov](http://www.edd.ca.gov).

## 2007 California SDI and PIT Deposit Requirements

If Your Federal Deposit Schedule/Requirement is	And You Have Accumulated State PIT Withholding of	If Payday Is	PIT and SDI Deposit Due By
Next Banking Day	Less than \$350	Any day	Quarterly
	\$350 to \$500	Any day	15 <sup>th</sup> of the following month
	More than \$500	Any day	Next Banking Day
Semiweekly	Less than \$350	Any day	Quarterly
	\$350 to \$500	Any day	15 <sup>th</sup> of the following month
	More than \$500	Wed., Thurs., or Fri.	Following Wednesday
	More than \$500	Sat., Sun., Mon., or Tues.	Following Friday
Monthly	Less than \$350	Any day	Quarterly
	\$350 or more	Any day	15 <sup>th</sup> of the following month
Quarterly or Annually	Less than \$350	Any day	April 30, 2007 July 31, 2007 October 31, 2007 January 31, 2008
	\$350 or more	Any day	15 <sup>th</sup> of the following month

A deposit of employer UI and ETT taxes not previously paid is also due each quarter by the due dates shown. For more information and special situations concerning deposit rules and frequencies, refer to the *California Employers Guide* (DE 44), visit our Web site at [www.edd.ca.gov/taxrep/taxpay.htm](http://www.edd.ca.gov/taxrep/taxpay.htm), or call 1-888-745-3886.

## Tips for a trouble-free annual reconciliation

Each year employers file an *Annual Reconciliation Statement* (DE 7) to reconcile payroll tax payments and the total subject wages reported for the year. Here are some helpful tips to help avoid potentially costly mistakes.

Compare the amounts reported on the forms below

DE 7 Total Subject Wages (item C)	<b>Should match:</b>	DE 6 <i>Quarterly Wage and Withholding Report</i> (Item M) total of all four quarters
DE 7 PIT Withheld (item G)	<b>Should match:</b>	DE 6 (item O) total of all four quarters <i>and</i> total of all W-2 Forms (box 17) plus 1099R Forms (box 10)
DE 7 Contributions and Withholdings Paid for the Year (item I)	<b>Should match:</b>	Total of DE 88 Payroll Tax Deposits (item G). <b>Note:</b> Verify that the deposits being reconciled are for year 2006. Do not include deposits made for other years or any penalty and interest paid.
DE 6 Grand Total of PIT Wages (item N) total of all four quarters	<b>Should match:</b>	Total of all W-2 Forms (box 16)

Complete and mail a DE 88 for any underpaid deposits. Include pay date, deposit schedule, and quarter covered. **Note:** Failure to fully complete the DE 88 may result in your payment being posted to the wrong quarter and/or year.

To correct any errors on previously filed DE 6s and DE 7, complete and mail a *Tax and Wage Adjustments Form* (DE 678) available at [www.edd.ca.gov/taxrep/de678.pdf](http://www.edd.ca.gov/taxrep/de678.pdf). For more information, view our information sheets available on our Web site at [www.edd.ca.gov/taxrep/taxform.htm#Publications](http://www.edd.ca.gov/taxrep/taxform.htm#Publications) or call 1-888-745-3886.

## Watch mail for tax rate information

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account* (DE 2088) for calendar year 2007 by December 29, 2006. This notice includes your 2007 tax rates and your reserve account activity.

Carefully review the items on your notice. For an explanation of the notice and your protest rights, refer to the *Explanation of the Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088C) that is provided with the notice.

The UI taxable wage limit for calendar year 2007 is \$7000 per employee.

The DE 2088 will indicate if you are subject to Employment Training Tax (ETT). The 2007 ETT rate is 0.1 percent (.001). The ETT taxable wage limit for 2007 is \$7000 per employee.



For more information on your rates please call us at (916) 653-7795. To expedite your call, please have your DE 2088 and your employer account number available.

### Taxable value of meals and lodging for your employees in 2007

Meals and/or lodging that you provide to your employees should be treated as wages for Unemployment Insurance, Employment Training Tax, and State Disability Insurance.

Meals are subject to California Personal Income Tax (PIT) withholding unless the meal is furnished to your employees on your business premises and it is for your convenience.

Lodging is also subject to PIT withholding unless it is furnished for your convenience and the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the value of meals and lodging is adjusted based on the cost-of-living indexes. Please use the values shown below for 2007.

These values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws.

For more information, visit our Web site at [www.edd.ca.gov](http://www.edd.ca.gov) or call us at 1-888-745-3886.

#### Employees\*

<u>Meals</u>	<u>Value</u>	<u>Licensed Personnel</u>	<u>Value</u>
Breakfast	\$2.00	Meals	\$9.30
Lunch	\$2.80	Quarters	\$4.80
Dinner	\$4.50	Total per day	\$14.10
3 meals per day	\$9.30		
A meal not identified as breakfast, lunch, or dinner	\$3.20	<u>Unlicensed Personnel</u>	<u>Value</u>
		Meals	\$9.30
		Quarters	\$7.00
		Total per day	\$16.30

#### Lodging Value

The value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$1,041.00 per month or less than \$33.80 per week.

#### Maritime Employees

#### Fishermen

Lodging value is \$33.80 per week and \$4.80 per day for periods of less than a week.

\* Maritime employees' values of meals and lodging are different than all other employees and are shown in the above table on the right. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.

### Payroll Tax Information

Taxpayer Assistance Center (for tax information, address changes, and payroll forms)	1-888-745-3886
Forms Requests (25+ copies)	(916) 322-2835
Employer Account # Registration Information	(916) 654-7041 Fax (916) 654-9211
Electronic Funds Transfer	(916) 654-9130 Fax (916) 654-7441
Magnetic Media Reporting: -Quarterly Reports -New Employee Registry -Independent Contractor Reporting	(916) 654-6845
Alternate Forms Coordinator	(916) 255-0649 Fax (916) 255-1578
Telefile	1-800-796-3524
Fax on Demand	1-877-547-4503
Tax Rates and Benefit Charge Information	(916) 653-7795
New Employee Registry	(916) 657-0529 Fax (916) 319-4400
Independent Contractor Reporting	(916) 657-0529 Fax (916) 319-4410
Offers in Compromise	(916) 464-2739 Fax (916) 464-2121
Settlements	(916) 653-9130
Underground Economy Operations	(916) 227-2730 Fax (916) 227-2772 Fraud Hotline 1-800-528-1783
Taxpayers Rights Advocate	1-866-594-4177 Fax (916) 654-6969
EDD's Web site	<a href="http://www.edd.ca.gov">www.edd.ca.gov</a>



## When to make deposits and reports if due date falls on holiday

To ensure the timeliness of your 2007 tax payments and reports, please refer to the chart below for the date each legal holiday will be observed in the year 2007. If a payment or report due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day. For specific payroll tax deposit or report requirements, refer to the *California Employer's Guide* (DE 44). To obtain a guide or for more information, visit our Web site at [www.edd.ca.gov/taxrep/taxform.htm#publications](http://www.edd.ca.gov/taxrep/taxform.htm#publications) or call us at 1-888-745-3886.

Legal holiday	Day Holiday Observed	Next Business Day for Deposits or Reports
New Year's Day 2007	Monday, January 1, 2007	January 2, 2007 ( <b>Tuesday</b> )
Birthday of Martin Luther King, Jr.	Monday, January 15	January 16 ( <b>Tuesday</b> )
Lincoln's Birthday	Monday, February 12	February 13 ( <b>Tuesday</b> )
Washington's Birthday	Monday, February 19	February 20 ( <b>Tuesday</b> )
Cesar Chavez Day	Saturday, March 31	April 2 ( <b>Monday</b> )
Good Friday	Friday, April 6*	April 9 ( <b>Monday</b> )
Memorial Day	Monday, May 28	May 29 ( <b>Tuesday</b> )
Independence Day	Wednesday, July 4	July 5 ( <b>Thursday</b> )
Labor Day	Monday, September 3	September 4 ( <b>Tuesday</b> )
Calif. Admission Day (Sunday, Sept. 9)	Monday, September 10*	September 11 ( <b>Tuesday</b> )
Columbus Day	Monday, October 8	October 9 ( <b>Tuesday</b> )
Veterans Day (Sunday, November 11)	Monday, November 12	November 13 ( <b>Tuesday</b> )
Thanksgiving Day & day after	Thursday & Friday, November 22 & 23	November 26 ( <b>Monday</b> )
Christmas Day	Tuesday, December 25	December 26 ( <b>Wednesday</b> )
New Year's Day 2008	Tuesday, January 1, 2008	January 2, 2008 ( <b>Wednesday</b> )

\* EDD offices are open on this legal holiday.

## Free seminars offer valuable tax help

Our free seminars offer valuable information to help you understand and comply with California payroll tax laws. Our seminars are customized to benefit businesses, new and old, bookkeepers and payroll agents. Upcoming Payroll Tax seminars are listed below.

### Federal/State Basic Payroll Tax Seminars

Bakersfield 12/14/06  
 Indio 11/28/06  
 Los Angeles 12/13/06  
 Oakland 12/6/06  
 Sacramento 12/7/06  
 San Jose 11/21/06 & 12/19/06  
 Santa Fe Springs 12/6/06  
 Simi Valley 12/7/06

Ventura 12/6/06  
 Van Nuys 12/8/06

### State Wage, Hour and Payroll Tax Seminars

These seminars include reporting requirements and common wage and hour law application.

Eureka 12/5/06  
 Van Nuys 12/1/06

Seminars are being planned for these locations from January through June, 2007: Chico, Modesto, San Francisco, Riverside, San Diego and Ventura.

For a complete list and for more information, please visit our Web site at [www.edd.ca.gov/taxsem/](http://www.edd.ca.gov/taxsem/)

## Annual Interest Rate: 8 Percent

For the period January 1 through June 30, 2007, the annual interest rate will be 8 percent (0.08), compounded daily. The daily interest factor will be .000219. Interest is charged on all delinquent taxes, interest, and certain penalties. If you have questions, please call the Taxpayer Assistance Center at 1-888-745-3886.

## CALIFORNIA EMPLOYER



This newsletter is published quarterly by the Employment Development Department of the California Labor and Workforce Development Agency. It is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

EDD is a recipient of federal and state funds. It is an equal opportunity employer/program and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To request alternate formats, call (916) 654-9029.

Employment Development Department  
 P.O. Box 826880  
 Sacramento, CA 94280-0001

Produced by the EDD Communications Office, MIC 85  
 Loree Levy, Deputy Director  
 Patrick Joyce, Editor

Fourth Quarter 2006

Vol. 59, No. 4

## UI Seminar for School Employers to be held in early 2007

The annual Unemployment Insurance (UI) Seminar for School Employers will be held in early 2007 in San Francisco.

Sponsored by the School Employer Advisory Committee and cosponsored by the Employment Development Department, the seminar includes presentations on:

- Management of UI claims.
- Claim procedures (eligibility, protests, and forms).

- Reasonable Assurance.
- Employee separations (discharge and quit).
- Mock Hearings with Administrative Law Judges.
- Status of the School Employees Fund.

For more information contact the School Employees Fund at (916) 653-5380. Registration materials to be sent out in January.